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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

)
Petition of Boston Edison Company, Cambridge) D.T.E. 03-100
Electric Light Company, and Commonwealth)
Electric Company d/b/a NSTAR Electric pursuant to)
G.L. c.164, sec.94 and 220 C.M.R. sections 5.00 et seq.,)
for Approval of a new renewable power supply offering.)
)

DIRECT TESTIMONY OF CYNTHIA ARCATE

Q. Please state your name, business address and employment position.

A. My name is Cynthia A. Arcate. My business address is 70 Franklin Street, Boston, MA 02110. I am Deputy Commissioner for Programs of the Massachusetts Division of Energy Resources, a position I was appointed to beginning July 1, 2003. I have overall responsibility for the Division’s oversight and coordination of energy efficiency programs, administration of the Renewable Portfolio Standard, energy implications of the state’s climate change strategy, energy emergency planning and reliability, and the development of state policies related to electric restructuring and other energy matters.

Q. Please describe your background and experience.

Prior to my appointment as Deputy Commissioner at DOER, I had worked in a variety of positions at the New England Electric System (NEES) companies and later National Grid, USA, headquartered in Westborough, MA. When I left National Grid in June of 2000, I was Vice President of Generation for New England Power Company (NEP). In that position I was responsible for the disposal of the remainder of NEP’s generation assets, including the Seabrook Nuclear Power plant, integration of power contracts from the acquisition of Eastern Utilities Associates, and representing NEP on the Boards of Directors of the Yankee Nuclear Companies.

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2 From 1993 to February 2000, I was a part of the NEES Retail Business Unit. Initially, I served as
3 Associate General Counsel for Massachusetts Electric Company, a retail subsidiary of NEES. I
4 worked very closely with the company's retail services senior management to develop business
5 plans and strategies for retail competition. In March 1995, I moved into management as Vice
6 President (and later Executive Vice President) of Granite State Electric Company. I was the
7 senior officer in New Hampshire for the NEES companies. I had responsibility for legislative
8 and regulatory affairs as well as Business Services. In that position, I negotiated the first
9 restructuring plan in the state for retail competition. I also developed and implemented
10 communications plans and marketing strategies for the company.

11
12 Prior to joining the Retail Business Unit at NEES, I was an attorney with the New England
13 Power Service Company, another NEES subsidiary, beginning in 1985. As a Senior Counsel, I
14 had principal responsibility for federal rate and regulatory matters involving the NEES
15 companies, including New England Power Company power and transmission rate tariffs and
16 contracts, and interconnection agreements. I also represented Granite State Electric in regulatory
17 matters from 1989 – 1991. I spent one year as Assistant to the Chairman and President of NEES
18 (Joan Bok and John Rowe, respectively), working on a variety of policy matters, including retail
19 competition and resource planning.

20
21 Prior to coming to the NEES companies, I was on the staff of the Federal Energy Regulatory
22 Commission ("FERC"). During my four-year tenure at FERC I was a Law Clerk in the Office of
23 Administrative Law Judges, an Attorney Advisor in the Office of Opinions and Review, and a
24 Staff Attorney in the Office of General Counsel's Office of Electric Rate Litigation.

25
26 I received my J.D. from New York Law School in New York City and a B.A. from St. Lawrence
27 University in Canton, New York. I have attended the National Association of Regulatory Utility
28 Commissioners ("NARUC") summer training program at Michigan State University in Lansing,
29 Michigan. I have also attended the Public Utility Executive Program at the University of
30 Michigan Business School in Ann Arbor, Michigan.

1 Q. What is the purpose of your testimony?

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3 A. The purpose of my testimony is to present DOER's concerns about certain aspects of the
4 NStar Green proposal in this proceeding. As indicated in our comments submitted on December
5 18, 2003, DOER supports the approval of NStar's proposal subject to five conditions. Those
6 conditions are as follows:

7 1. That the product not be "branded" with the NStar name.

8 2. That there be a sunset provision when it is clear that there is a robust, competitive market for
9 mass market (residential and small business) customers.

10 3. That the impact of the proposal on the Cape Light Compact has been mitigated.

11 4. That the product not be offered to medium sized business customers.

12 5. That NStar's tracking of REC's associated with this offering meet DOER's requirements for
13 Renewable Portfolio Standard (RPS) compliance.

14

15 My pre-filed testimony will address the branding issue only. We believe that the Company has
16 already accepted, at least in concept, conditions 2 and 4. Condition 5 is more of a compliance
17 issue to be addressed should the proposal be approved. The Company has indicated a willingness
18 to meet our requirements in this area but final approval should be based on the actual compliance
19 filing at the appropriate time. We will address the issues related to the Cape Light Compact
20 through our participation in the hearing and in brief.

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23 II. THE GREEN PRODUCT SHOULD NOT BE BRANDED

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25 Q. How do you define "branding?"

26

27 A. "Branding" is a term used in marketing and product development to associate a product with a
28 particular entity or, vice versa, to associate an entity with a particular product that may already
29 have a known identity. The objective is to garner commercial value from the association so that
30 consumers would buy the product because of its association with that entity or the entity might
31 become better known because of its association with the product.

1 Q. Which kind of branding is at issue in this case?

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3 A. In this case, NStar clearly intends to have its green product associated with the Company and
4 to improve its image from the promotion of the product. In response to Information Request
5 CLC/MEC-1-3, the Company provided numerous documents related to the development of their
6 product. Internal documents indicate a clear desire to brand the product. For example, the
7 company's marketing consultant's report states: "In fact, it appears that by introducing a Green
8 Power Option, brand loyalty could be enhanced. The introduction of a Green Power Option did
9 appear to improve impressions of NSTAR as a company among these participants." See Exhibit
10 No. 1 at page 00628. Later in the report, it states: "It appears that the positive association of
11 green power can only serve to enhance NSTAR's public image." See Exhibit No. 1 at page
12 00629. In addition, Exhibit No.2 is a document that appears to have been an analysis of options
13 by someone in the firm, although not identified, which clearly lists an inability to brand the
14 product as a negative aspect of pursuing a green option along the lines of National Grid's
15 program or other similar third party supplier options.

16

17 Q. What's wrong with NStar branding the green product?

18

19 A. There are two reasons why branding of this product by NStar should not be permitted. First, I
20 believe it is inconsistent with the restrictions on electric distribution companies under the
21 Restructuring Act to sell or market generation products. Second, I believe that the benefits to the
22 company from branding will actually be a disservice to NStar's customers because it will create
23 a misconception that NStar is their generation supplier, leading to further confusion as efforts are
24 under way to further develop the retail competitive market for mass market customers.

25

26 Q. If, in your view, selling generation products is not appropriate for a distribution company,
27 why allow NStar to sell the product under any name?

28

29 A. As stated in our comments, we are willing to allow the company to provide a single product at
30 this time because there is no robust competitive market for these classes of customers and that
31 having this option for customers, taken as a whole, is better than having no green option at all.

1 DOER has been focused on the impact of such a program on competition in the future. Hence,
2 the condition for a sunset of the option once that competitive market develops. Further, if the
3 product it is not branded, it adequately separates the product from the company, making it more
4 of an energy service permissible under the Act. Branding the product goes too far. It positions
5 the company in a way which is inappropriate and will actually hamper the development of the
6 market by giving the company's product an advantage over other legitimate green competitive
7 suppliers.

8

9 Q. How will the branding confuse customers?

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11 A. Because choice of supplier has not realistically evolved for mass market customers in
12 Massachusetts, most customers have not experienced choice nor are they aware that their electric
13 company no longer "sells" them power. One of the benefits of the Company's proposal is that it
14 gives customers a choice, which may help in our customer education efforts. But the branding of
15 the product has the perverse effect of reversing that benefit by leading the customer to continue
16 to think of NStar as their generation supplier.

17

18 Q. How is the NStar proposal different from the National Grid Green-Up program?

19

20 A. In his testimony, James Daly indicates that there is no difference because National Grid was
21 allowed to clearly indicate in its marketing materials that it is offering the program. The key
22 difference here is that NStar is offering a *product* but National Grid is offering a *program*. The
23 difference is not insignificant. National Grid's offering is a portfolio of options clearly provided
24 by named competitive suppliers. Those suppliers have been given an avenue to "brand" their
25 products to National Grid's customers. While there is the potential that customers will associate
26 the program with National Grid in a positive way, the product itself is clearly not theirs and the
27 suppliers' names are clearly identified.

28

29 This distinction was not lost on NStar's management. The email submitted as Exhibit No. 3
30 clearly indicates that as far back as February of last year, the company saw the National Grid
31 approach as inconsistent with their own business strategy. In her email, Ms. Anglely states:

1 “...NGrid wants to structure this consistent with their goal of getting out of energy
2 supply....Given our different strategic directions there may not be a desirable one size fits all
3 approach.” While the document does not state what that different direction is, NStar clearly did
4 not see commercial benefit from the Grid approach.
5
6 Q. Thank you, I have no further questions.

